Pellegrino, Rachel

From: Brown, Brian (TM)
Sent: Thursday, January 06, 2011 4:06 PM
To: Hickey, Toni
Subject: FW: Small Business Study
Attachments: Trademark Bullies Survey Response 1-5-11.pdf

From: Morris, Craig
Sent: Thursday, January 06, 2011 3:36 PM
To: Brown, Brian (TM)
Subject: FW: Small Business Study

From: Bill Edwards (b)(6)
Sent: Thursday, January 06, 2011 12:00 PM
To: TMFeedback
Subject: Small Business Study

Dear USPTO,

This letter is in response to your survey regarding the experiences of trademark owners and applicants with litigation tactics, especially those involving an attempt to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner.

Our response is in the attached PDF file.

We, Raining Penguins, are now effectively out of business because of PEI Licensing's legal threats. We do appreciate this opportunity to respond to this survey and hope that our input may be useful to creating a better process that protects fledging businesses from 'trademark bullies' such as PEI Licensing.

We are at your service if you would like to question us further or have us provide additional information on our company, our case and our experience.

Sincerely,

Bill Edwards

Bill Edwards
Rainining Penguins, LLC

14312 SE 88th Place
Newcastle, WA 98059
(b)(6)

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From: Brown, Brian (TM)
Sent: Thursday, January 06, 2011 4:06 PM
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Subject: FW: Small Business Study
Attachments: image005.jpg; image006.jpg

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Subject: FW: Small Business Study

From: Bill Edwards (b)(6)
Sent: Thursday, January 06, 2011 12:04 PM
To: TMFeedback
Subject: Small Business Study

Raining Penguins
Clothing for a Blue Planet

14312 SE 88th Place, Newcastle, WA 98059
(b)(6)

Director
USPTO
P.O. Box 1450
Alexandria, VA 22313-1450

Re: Small Business Study

Dear USPTO,

This letter is in response to your survey regarding the experiences of trademark owners and applicants with litigation tactics, especially those involving an attempt to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner.

1. Please identify whether you are a trademark owner or practitioner, and the general size and nature of your business or trademark practice, including the number of trademark applications and registrations your business has, or your practice handles. Please note that the USPTO will fully consider any comments you submit, even if you choose not to identify yourself in a particular manner.

Raining Penguins, LLC, a start-up screen printed apparel business, was both a trademark owner and a trademark applicant for word and design marks for its business.

- Registered Mark 3,717,991 for a penguin logo design in a circle with arrows
- Published Application 77/902,050 for the word mark RAINING PENGUINS
- Published Application 77/902,087 for a penguin logo design (of a penguin holding a large umbrella – see above)

2. In approximately the last 5 years, please describe any instances of which you have first-hand knowledge where a small business may have been the target of litigation tactics attempting to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner.

I, William H. Edwards, am a Director and part owner of a very small business, Raining Penguins, LLC, which has been effectively been put out of business by a cease-and-desist letter, trademark oppositions and petition for trademark cancellation from a much larger company, PEI Licensing.

Opposition No. 91196578
In the Matter of Application Serial No. 77/902,050
Mark: RAINING PENGUINS
Published in the Official Gazette of May 25, 2010

Opposition No. 91197180
In the Matter of Application Serial No. 77/902,087
Mark: Penguin and Umbrella Design mark
Published in the Official Gazette of July 6, 2010

Cancellation No. 92053207
In the Matter of Registration No. 3,717,991
Mark: Penguin with Exclamation Point, in Circle with Arrows Design mark
Registered: December 1, 2009

We had diligently researched our word mark Raining Penguins prior to application and found no use in commerce of the name Raining Penguins. Likewise there was no use in commerce of a logo of a penguin carrying a large umbrella (and we already had a registered mark with the same penguin in a circle with arrows). We were able to make a strong logical case that there are significant differences in commercial meaning and context in the use of our marks from the marks of PEI Licensing and that there was no likelihood of confusion with or dilution to the marks of PEI Licensing. Intellectual property attorneys that we consulted with felt that our case was compelling but counseled us that substantial financial resource would be necessary to fight for our cause, no matter how right.

Even though we strongly persist in our conviction that our business marks would not cause any customer confusion or dilute the marks of the opposer, PEI Licensing, we could not afford to fight a legal campaign against a company that does nearly a billion dollars a year in revenue and who has substantial resources to fight a protracted legal battle all the way to the highest court. It is simply more cost effective for Raining Penguins, LLC to go out of business that to spend several tens of thousands of dollars in legal fees which it cannot afford.

3. Please describe situations where you have been involved in receiving a cease-and-desist letter. Anecdotal information might include, but is not limited to, a description of whether the letter resulted in the small business ceasing its use of one or more marks, or whether the sender of the cease-and-desist letter withdrew or abandoned its demands against the small business owner.

We, Raining Penguins LLC received a cease-and-desist letter from PEI Licensing that asserted that PEI Licensing (Perry Ellis) would be harmed by our very small business, Raining Penguins, LLC through customer confusion with and dilution of their marks. They insisted that we abandon application of our penguin word and logo marks, not oppose their petition for cancellation of the penguin mark that we had already registered and that we cease selling products at our web store at www.RainingPenguins.com.

Our stance is that there was no likelihood of confusion since the PEI Licensing has never used the Raining Penguins mark and that the commercial meaning, context of use, type of product and customer are entirely different (re: The DuPont Factors). We have a PowerPoint and narrative that convincingly covers these arguments point by point.

PEI Licensing has also opposed DreamWorks Animation for their The Penguins of Madagascar mark #91195805, Disney Online Studios, Canada for their Club Penguin mark #91192743, and Angry Penguin Productions for their Angry Penguin mark #91195243. And they have gone after several other small companies which have simply abandoned their applications.

We also hold that dilution is a non-issue because there are also other penguin marks currently in use registered under class 25. These include the Pittsburgh Penguins reg. no. 2521439, Penitentiary Penguins reg. no. 2724249, Penguins Paradise Dessert Bar reg. no. 3628821, and Club Penguin reg. no. 77049399.

PEI Licensing's actions indicate that they feel they have the right to be the sole users of images of penguins and any words with the word penguin in it for trademark class 25, clothing.

We could not afford to hire an IP attorney to engage this Goliath. PEI Licensing is a company that generates almost a billion dollars in annual revenues and has substantial legal resources. We would have liked to fight them on the trademark issues and right to continue to conduct business as Raining Penguins with our penguin logo and penguin apparel designs but could not afford to engage them in a legal battle. PEI Licensing has aggressively and effectively killed Raining Penguins, the small environmental issue focused start-up, founded by our 24 year old son.

It is our contention that they are completely wrong in their allegations and that this bullying action goes way beyond what the USPTO had in mind for defense of existing marks. PEI Licensing could never have been harmed by Raining Penguins.

4. Please describe situations where you have been involved in trademark litigation in state or federal courts. Anecdotal information might include, but is not limited to, a description of whether the lawsuit settled on the basis of the small business agreeing to cease its use of one or more marks, or on the basis of the plaintiff withdrawing or abandoning its trademark-related allegation(s). Alternatively, relevant information might include whether such lawsuits resulted in a court judgment and the nature of the judgment (such as requiring the small business to cease its use of one or more marks, assessing monetary liability (damages, lost profits, or attorneys' fees) against the small business, requiring the plaintiff to pay the defendant's attorneys' fees, or imposing sanctions against the plaintiff under Rule 11 of the Federal Rules of Civil Procedure).

Raining Penguins, LLC responded to the cease-and-desist letter from attorneys from PEI Licensing:

Jay M. Burgett, Esq.
Norvell IP LLC
1776 Ash Street
Northfield, IL 60093

Re: **Norvell Ref. No. 12232-1202**

Dear Mr. Burgett:

In response to your cease and desist letter sent on behalf of PEI Licensing on October 29, 2010 we agree to:

1. Withdraw our application 77/902,050 for the word mark RAINING PENGUINS

2. Withdraw our application 77/902,087 for the penguin logo design

3. Cancel our registration 3,717,991 for the penguin logo design

4. Cease the sale of apparel at the domain name rainingpenguins.com by January 2011.

Please confirm that the agreements stated are acceptable to your client and that we may conclude this matter without any further threat of lawsuit from your client.

Understand that the stated agreements do not constitute any admission of fault or wrongdoing on the part of Raining Penguins, LLC. Raining Penguins, LLC filed its trademark applications in good faith, without any intention to infringe on the brands of PEI Licensing, Inc. Raining Penguins, LLC continues to maintain that there is no likelihood of confusion or dilution, as asserted by PEI Licensing, Inc. However, we submit the agreements above to avoid any unnecessary conflict with your client's company.
Regards,

William H. Edwards
Director
Raining Penguins, LLC

Note: This letter was communicated to attorneys representing PEI Licensing on 11/30/2010 and we closed our online store at www.RainingPenguins.com on Dec 20, 2010. Despite our request to conclude this matter and receive confirmation of such, we have heard no response from the attorneys representing PEI Licensing.

5. Please describe situations where you have been involved in opposition/cancellation proceedings instituted at the USPTO against small business owners. Anecdotal information might include, but is not limited to, a description of whether the proceedings settled on the basis of the small business agreeing to abandon its application(s) for one or more marks, or whether the proceedings settled on the basis of the plaintiff withdrawing or abandoning its notice of opposition or cancellation petition. Alternatively, relevant information might include a description of whether such proceedings resulted in a decision by the USPTO Trademark Trial and Appeal Board ("TTAB") refusing to register/canceling one or more marks owned by the small business, or whether such proceedings resulted in the TTAB imposing sanctions against the plaintiff under Rule 11 of the Federal Rules of Civil Procedure.

See previous comments.

6. Do you think trademark "bullies"[1] are currently a problem for trademark owners, and if so, how significant is the problem?

Yes I definitely think that trademark bullies are a very significant problem. In our case PEI Licensing can effectively stamp out all start-up businesses that use the word penguin or penguin images on a product (as PEI Licensing feels that position is their absolute right) through threat of civil litigation. A review of

penguin marks abandoned by small businesses that have been opposed by PEI Licensing illustrates a persistent pattern of overzealous and serial bullying by PEI Licensing.

7. Do you think aggressive litigation tactics are more pervasive in the trademark area than in other areas of the law?

It is apparent to me that large companies hire attorneys to monitor the Trademark Gazette for publication of marks that might 'infringe', even in the most remote way and absurd way, and they pounce with trademark oppositions and cease-and-desist letters. Thus the Trademark Gazette acts as an **early warning system** for larger companies to detect any possible so-called 'threats' to what they regard as their sandbox and then use cease-and-desist tactics to run the start-up company out of business with imminent threats of litigation before the small company can gain any traction in the marketplace. This bully boy behavior is very damaging to the future of entrepreneurship in the United States, an area that is purported to be the cradle for creation of new jobs in this country. This behavior of overzealous, self righteous, bigger companies employing retained attorneys, looking to 'demonstrate competence' and create 'billable hours', is beyond shameful and is shooting our economy in the foot.

8. Do you think the USPTO has a responsibility to do something to discourage or prevent trademark bullying? If yes, what should the USPTO do?

The bullying goes beyond trademark oppositions, which we were willing to fight 'pro se'. The bigger problem is receiving a cease-and-desist letter which conveys the very real threat of drawing a defendant into a very costly civil suit. The threat of legal action from a cease-and-desist letter is what caused Raining Penguins to 'give up'. Once we realized that winning the right to register the trademark afforded us no right to do business under that trademark, if under threat from a cease-and-desist, it seemed fruitless to continue to fight.

I suggest that the USPTO should monitor serial trademark opposer's and more proactively examine the viability of the claims under the lens of whether or not they have substance. This however would not provide any protection from over-reaching, and potentially frivolous, cease-and-desist threats. I don't have the answer here but there would need to be some way to connect trademark actions and cease-and-desist actions. At present the cease-and-desist threat is outside of the purview of the USPTO, lurking like a malevolent shark in murky waters.

9. Do you think the U.S. courts have a responsibility to do something to discourage trademark bullies? If yes, what should the U.S. courts do?

Private practice intellectual property attorneys are incredibly expensive and almost unaffordable for the small business entrepreneur. Perhaps the U.S. Courts could provide 'pro bono' legal representation for small businesses under attack from the phalanx of retained intellectual property attorneys employed by larger businesses. After all, a defendant is presumed innocent until proven guilty and it is common for defendants in criminal cases who cannot afford private legal counsel to receive legal representation from state appointed attorneys. Why not for trademark cases?

10. What other U.S. agencies may have a responsibility to do something about the problem?

It seems that there is a potential role here for the Small Business Administration to provide IP counsel before and after trademark applications. Most small business education and assistance hardly touches on what really happens to the small business entrepreneur in the trademark process and what protection it does or doesn't provide them, as well as the pitfalls that can accompany the whole process. Small business

owners should realize that applying for a trademark may be the first step in a process that outs them out of business.

11. Do you think Congress has a responsibility to do something to discourage or prevent trademark bullying? If yes, what should Congress do?

Yes, absolutely. If entrepreneurship is valued in the United States, small companies should be given some sort of free pass to establish their financial viability before being quashed by larger companies who want to dominate an entire spectrum. There is plenty of room for small companies to establish themselves in viable market niches without negatively impacting established companies.

In our case Raining Penguins was building a company with statement based t-shirts and an overarching environmental ideology. PEI Licensing, who has no environmental or other ideology than commerce for profit, serves a different customer, in a different niche, with different product, using a different name and a different logo, but they decided that because we had the word 'penguin' in our name Raining Penguins, even though they had never used that name, that we were infringing on their trademarks and we should be put out of business. Even one of our customers in Japan told us that that in their opinion there was no likelihood of confusion between the PEI Licensing, Perry Ellis Munsingwear penguin and our company name and marks. We agree and would have liked to mount a fight to demonstrate that. But we didn't have the financial resources, so that just doesn't matter. PEI Licensing wins even though it doesn't deserve to.

12. Please provide any other comments you may have.

There should be some sort of protection for well meaning startups from the predatory threat of litigation from larger established companies who aggressively attempt to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner.

Raining Penguins was no threat whatsoever to PEI Licensing but we have been put out of business at substantial financial loss and the forever crushed optimism of our 24 year old son who was the founder of this entrepreneurial venture.

Given what I have learned from this recent experience with PEI Licensing, I would strongly advise any business entrepreneur to carefully create their name and logo so as not to conflict with others currently used in commerce (as we did) but to **not apply for a trademark** of any kind until the business is firmly established with significant financial means to defend its legal rights (and maybe not even then). Our experience is that trademark publication in the Trademark Gazette is an open notice broadcast to the 'legal hit men' employed by large companies that use the urgent threat of substantial legal consequences and expense to drive small companies out of business.

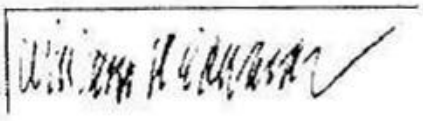
We realize that trademark protection is necessary to protect against legitimate fraud and intent to deceive, but many companies, such as PEI Licensing, take advantage of the system to try to protect and dominate an area of commerce in such a way that it goes way beyond what the Trademark Office intended.

Should any one company own all the rights to any words with the word 'penguin' in them and any images of penguins, however varied, on clothing? We think not. However that is the mission of PEI Licensing in its attempts to bully other companies out of business. And at that it has been very successful.

We, Raining Penguins, are now effectively out of business because of PEI Licensing's legal threats. We do appreciate this opportunity to respond to this survey and hope that our input may be useful to creating a better process that protects fledging businesses from 'trademark bullies' such as PEI Licensing.

We are at your service if you would like to question us further or have us provide additional information on our company, our case and our experience.

Sincerely,



William H. Edwards
Director
Raining Penguins, LLC

Note: That I am sending this second response with full text in the body of the email in case your spam filter bounces my previous response with a PDF attachment.

14312 SE 88th Place
Newcastle, WA 98059
(b)(6)